

**INDIAN TRADE,  
MANUFACTURES  
& FINANCE**

**R. C. DUTT**

INDIAN  
TRADE, MANUFACTURES & FINANCE

BEING CHAPTERS REPRINTED FROM 'THE ECONOMIC  
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## PREFACE.

THE sources of a nation's wealth are Agriculture, Commerce and Manufactures, and sound Financial Administration. British rule has given India peace ; but British Administration has not promoted or widened these sources of National Wealth in India.

Of Commerce and Manufactures I need say little in this place. I have in another work\* traced the commercial policy of Great Britain towards India in the eighteenth and the earlier years of the nineteenth century. The policy was the same which Great Britain then pursued towards Ireland and her Colonies. Endeavours were made, which were fatally successful, to repress Indian manufactures and to extend British manufactures. The import of Indian goods to Europe was repressed by prohibitive duties ; the export of British goods to India was encouraged by almost nominal duties. The production of raw material in India for British industries, and the consumption of British manufactures in India, were the twofold objects of the early commercial policy of England. The British manufacturer, in the words of the historian Horace Hayman Wilson, "employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms."

When Queen Victoria ascended the throne in 1837, the evil had been done. But nevertheless there was no relaxation in the policy pursued before. Indian silk handkerchiefs still had a sale in Europe ; and a high duty on manufactured Indian silk was maintained. Parliament

\* *Economic History of British India, 1757 to 1837.*

inquired how cotton could be grown in India for British looms, not how Indian looms could be improved. Select Committees tried to find out how British manufactures could find a sale in India, not how Indian manufactures could be revived. Long before 1858, when the East India Company's rule ended, India had ceased to be a great manufacturing country. Agriculture had virtually become the one remaining source of the nation's subsistence.

British merchants still watched and controlled the Indian tariff after 1858. The import of British goods into India was facilitated by the reduction of import duties. The growth of looms and factories in Bombay aroused jealousy. In 1879, a year of famine, war, and deficit in India, a further sacrifice of import duties was demanded by Parliament. And in 1882 all import duties were abolished, except on salt and liquor.

But the sacrifices told on the Indian revenues. In spite of new taxes on the peasantry, and new burdens on agriculture, India could not pay her way. In 1894 the old import duties were revived with slight modifications. A 5 per cent. duty was imposed on cotton goods and yarns imported into India, and a countervailing duty of 5 per cent. was imposed on such Indian cotton fabrics as competed with the imported goods. In 1896 cotton yarns were freed from duty; but a duty of  $3\frac{1}{4}$  per cent. was imposed on cotton goods imported into India, and an excise duty of  $3\frac{1}{2}$  per cent. was imposed on all goods manufactured at Indian mills. Coarse Indian goods, which did not in any way compete with Lancashire goods, were taxed, as well as finer fabrics. The miserable clothing of the miserable Indian labourer, earning less than  $2\frac{1}{2}$ d. a day, was taxed by a jealous Government. The infant mill industry of Bombay, instead of receiving

help and encouragement, was repressed by an excise duty unknown in any other part of the civilised world. During a century and a half the commercial policy of the British rulers of India has been determined, not by the interests of Indian manufacturers, but by those of British manufacturers. The vast quantities of manufactured goods which were exported from India by the Portuguese and the Dutch, by Arab and British merchants, in the seventeenth and eighteenth centuries, have disappeared. India's exports now are mostly raw produce—largely the food of the people. Manufacturing industry as a source of national income has been narrowed.

There remains Agriculture. Cultivation has largely extended under the peace and security assured by the British Rule. But no man familiar with the inner life of the cultivators will say that the extension of cultivation has made the nation more prosperous, more resourceful, more secure against famines.

The history of the Land Revenue administration in India is of the deepest interest, because it is intimately connected with the material well-being of an agricultural nation. In the earlier years of the British Rule, the East India Company regarded India as a vast estate or plantation, and considered themselves entitled to all that the land could produce, leaving barely enough to the tillers and the landed classes to keep them alive in ordinary years. This policy proved disastrous to the revenues of the Company, and a reform became necessary. The Company then recognised the wisdom of assuring to the landed classes the future profits of agriculture. Accordingly, Lord Cornwallis permanently settled the Land Revenue in Bengal in 1793, demanding from landlords 90 per cent. of the rental, but assuring them against any increase of the demand in the future. The proportion

taken by the Government was excessive beyond measure ; but cultivation and rental have largely increased since 1793 ; and the peasantry and the landed classes have reaped the profits. The agriculturists of Bengal are more resourceful to-day, and more secure against the worst effects of famine than the agriculturists of any other Province in India.

A change then came over the policy of the East India Company. They were unwilling to extend the Permanent Settlement to other Provinces. They tried to fix a proper share of the rental as their due so that their revenue might increase with the rental. In Northern India they fixed their demand first at 83 per cent. of the rental, then at 75 per cent., then at 66 per cent. But even this was found to be impracticable, and at last, in 1855, they limited the State-demand to 50 per cent. of the rental. And this rule of limiting the Land Revenue to one-half the rental was extended to Southern India in 1864. An income-tax of 50 per cent. on the profits of cultivation is a heavier assessment than is known in any other country under a civilised Government. But it would be a gain to India if even this high limit were never exceeded.

The rule of the East India Company terminated in 1858. The first Viceroys under the Crown were animated by a sincere desire to promote agricultural prosperity, and to widen the sources of agricultural wealth in India. Statesmen like Sir Charles Wood and Sir Stafford Northcote, and rulers like Lord Canning and Lord Lawrence, laboured with this object. They desired to fix the State-demand from the soil, to make the nation prosperous, to create a strong and loyal middle class, and to connect them by their own interest with British Rule in India. If their sound policy had been

adopted, one source of national wealth would have been widened. The nation would have been more resourceful and self-relying to-day; famines would have been rarer. But the endeavours to make the nation prosperous weakened after the first generation of the servants of the Crown had passed away. Increase of revenue and increase of expenditure became engrossing objects with the rise of Imperialism. The proposal of Canning and of Lawrence was dropped in 1883.

The reader will no doubt clearly grasp the two distinct principles which were held by the two different schools of administrators. One was the school of Lord Canning and Lord Lawrence, of Lord Halifax and Lord Iddesleigh, who urged a Permanent Settlement of the Land Revenue. They knew that land in India belonged to the nation and not to a landed class, that every cultivator had a hereditary right to his own holding, and that to permanently fix the Land Revenue would benefit an agricultural nation, and not a class of landlords. The other school demanded a continuous increase of the Land Revenue for the State, by means of recurring Land-Settlements, in course of which the State-demand was generally increased at the discretion of Settlement-Officers.

The Marquis of Ripon was the Viceroy of India from 1880 to 1884, and he proposed a masterly compromise between the opinions of the two schools. He maintained the right of the State to demand a continuous increase of the Land Revenue on the definite and equitable ground of increase in prices. But he assured the cultivators of India against any increase in the State-demand, unless there was an increase in prices. He assured to the State an increasing revenue with the increasing prosperity of the country as evidenced by



prices. And he assured to the cultivator a permanency in the State-demand reckoned in the proportion of the field produce taken as Land Tax. Lord Ripon's scheme happily combined the rights of the State with that security to cultivators without which agriculture cannot flourish in any part of the world. But Lord Ripon left India in December 1884; and his wise settlement was negated by the Secretary of State for India in January 1885. The compromise which had been arrived at after years of inquiry and anxious thought in India was vetoed at Whitehall; and a nation of agriculturists was once more subjected to that *uncertainty* in the State-demand which is fatal to successful agriculture.

The Half-Rental Rule still remained—in theory. But in practice it had been violated. The expenses of the Mutiny wars had vastly added to Indian liabilities, and demanded increase in taxation. Commerce could not be taxed against the wishes of British merchants and British voters; the increased taxes therefore fell on agriculture. Accordingly, from 1871, a number of new taxes were assessed on land, in addition to the Land Revenue. If the Land Revenue was 50 per cent. of the rental, the total assessment on the soil, including the new taxes, came to 56 per cent., or 58 per cent., or even 60 per cent. of the rental. And the people of India asked, what was the object of limiting the Land Revenue, if the limits were exceeded by the imposition of additional burdens on agriculture.

The late Marquis of Salisbury was Secretary of State for India in 1875. His deep insight in matters to which he devoted his attention is well known. And he condemned the weakness and the one-sidedness of the Indian Fiscal policy in a Minute recorded in 1875, which is often cited. "So far," his lordship wrote,

“as it is possible to change the Indian Fiscal system, it is desirable that the cultivator should pay a smaller proportion of the whole national charge. It is not in itself a thrifty policy to draw the mass of revenue from the rural districts, where capital is scarce, sparing the towns where it is often redundant and runs to waste in luxury. The injury is exaggerated in the case of India where so much of the revenue is exported without a direct equivalent. As India must be bled, the lancet should be directed to the parts where the blood is congested, or at least sufficient, not to those which are already feeble from the want of it.”

Lord Salisbury's warning has been disregarded. And while we hear so much of the prosperous budgets and surpluses since the value of the rupee was fixed at rs. 4d., no advantage has been taken of this seeming prosperity to relieve agriculture. Not one of the special taxes on land, imposed in addition to the Land Revenue since 1871, has been repealed.

It will appear from these facts, which I have mentioned as briefly as possible, that agriculture, as a source of the nation's income, has not been widened under British administration. Except where the Land Revenue is permanently settled, it is revised and enhanced at each new settlement, once in thirty years or once in twenty years. It professes to take 50 per cent. of the rental or of the economic rent, but virtually takes a much larger share in Bombay and Madras. And to it are added other special taxes on land which can be enhanced indefinitely at the will of the State. The Land Assessment is thus excessive, and it is also uncertain. Place any country in the world under the operation of these rules, and agriculture will languish. The cultivators of India are frugal, industrious, and peaceful; but they are never-

theless impoverished, resourceless, always on the brink of famines and starvation. This is not a state of things which Englishmen can look upon with just pride. It is precisely the state of things which they are remedying in Ireland. It is a situation which they will not tolerate in India when they have once grasped it.

If we turn from the sources of wealth to its distribution, and to the financial arrangements of India, the same melancholy picture is presented to us. The total revenues of India during the last ten years of the Queen's reign—1891—92 to 1900—1—came to 647 millions sterling. The annual average is thus under 65 millions, including receipts from railways, irrigation works, and all other sources. The expenditure in England during these ten years was 159 millions, giving an annual average of nearly 16 millions sterling. One-fourth, therefore, of all the revenues derived in India, is annually remitted to England as Home Charges. And if we add to this the portion of their salaries which European officers employed in India annually remit to England, the total annual drain out of the Indian Revenues to England considerably exceeds 20 millions. The richest country on earth stoops to levy this annual contribution from the poorest. Those who earn £42 per head ask for 10s. per head from a nation earning £2 per head. And this 10s. per head which the British people draw from India impoverishes Indians, and therefore impoverishes British trade with India. The contribution does not benefit British commerce and trade, while it drains the life-blood of India in a continuous, ceaseless flow.

For when taxes are raised and spent in a country, the money circulates among the people, fructifies trades, industries, and agriculture, and in one shape or another reaches the mass of the people. But when the taxes raised in a country are remitted out of it, the money is

lost to the country for ever, it does not stimulate her trades or industries, or reach the people in any form. Over 20 millions sterling are annually drained from the revenues of India ; and it would be a miracle if such a process, continued through long decades, did not impoverish even the richest nation upon earth.

ROMESH DUTT.

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